PUBLIC (REDACTED) VERSION

BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

In the Matter of Petition of WorldCom, Inc., Pursuant to Section 252(e)(5) of the Communications Act for Preemption of the Jurisdiction of the Virginia Corporation Commission Regarding Interconnection Disputes with Verizon Virginia, Inc., and for Expedited Arbitration	)))))))	CC Docket No. 00-218
In the Matter of Petition of AT&T Communications of Virginia, Inc., Pursuant to Section 252(e)(5) of the Communications Act for Preemption of the Jurisdiction of the Virginia Corporation Commission Regarding Interconnection Disputes with Verizon Virginia, Inc.	)))))))	CC Docket No. 00-251

REBUTTAL COMMENTS OF
AT&T COMMUNICATIONS OF VIRGINIA LLC AND WORLDCOM, INC.
ON NON-LOOP COMPLIANCE STUDIES
SUBMITTED BY VERIZON VIRGINIA INC.

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November 18, 2003

REBUTTAL COMMENTS OF
AT&T COMMUNICATIONS OF VIRGINIA LLC AND WORLDCOM, INC.
ON NON-LOOP COMPLIANCE STUDIES
SUBMITTED BY VERIZON VIRGINIA INC.

Pursuant to Paragraph 695 of the August 29, 2003 Memorandum Opinion and Order in these proceedings, AT&T Communications of Virginia, LLC ("AT&T") and WorldCom, Inc. ("WorldCom") respectfully submit the attached Rebuttal Declaration of Michael R. Baranowski. In his Declaration, Mr. Baranowski identifies a number of errors in the compliance cost studies filed by Verizon Virginia Inc. for non-loop rates on October 28, 2003.

Respectfully submitted,

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CERTIFICATE OF SERVICE

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November 18, 2003

REDACTED VERSION
FOR PUBLIC INSPECTION

Before the
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REBUTTAL DECLARATION OF
MICHAEL R. BARANOWSKI

I. QUALIFICATIONS

1. My name is Michael R. Baranowski. I am a Managing Director of the Financial Consulting Division of FTI Consulting, Inc. My business address is 1201 Eye Street, NW, Suite 400, Washington DC, 20005. In that position, I conduct economic and cost analysis for a variety of clients. Since 1996, I have been directly and continuously involved in interconnection agreement arbitrations and other network element rate proceedings before state public utility commissions. I have sponsored testimony in earlier phases of this proceeding, and am intimately familiar with the cost models

submitted by Verizon–Virginia and other incumbent local exchange carriers. I am submitting this declaration at the request of AT&T Communications of Virginia, Inc. ("AT&T") and WorldCom, Inc. ("WCom").

2. This declaration discusses the compliance runs submitted by Verizon Virginia Inc. ("Verizon" or VZ-VA") and its witness, Patrick A. Garzillo, on October 28, 2003, in response to Paragraph 695 of the *Memorandum Opinion and Order* issued by the Wireline Competition Bureau in this case on August 29, 2003 (the "*Order*"). The compliance runs purport to adjust Verizon's recurring cost studies for switching and other UNEs to implement input and model adjustments imposed by other paragraphs of the *Order*.

3. There are three errors in the Verizon VA compliance cost studies. First, Verizon has failed to apply consistently the findings of the *Order* regarding the busy hour to annual minutes of use ratio ("*BHAR*"). Second, the methodology used by Verizon to calculate the Res/Bus Remote Call Forwarding feature grossly overstates the cost. Third, Verizon's methodology for weighting switch feature investment is flawed. I discuss each error in turn.

II. VERIZON HAS FAILED TO APPLY CONSISTENTLY THE FCC'S FINDINGS REGARDING THE BHAR.

4. The *Order* requires Verizon to use 339 days as the number of annual equivalent business days in the busy hour to annual ratio ("BHAR"). *Order* ¶ 457. Using this value changes the BHAR from 0.000362 to 0.000268. While Verizon used the

ordered number of days in its BHAR in the *tandem* switching cost study, Verizon used its November 2001 BHAR – based on 251 days – in its *other* compliance cost studies.

5. This inconsistency is unjustified. There is no logical justification for basing the BHAR on one value of annual equivalent business days for one element, but on another, significantly lower, value of annual equivalent business days in cost studies for other elements. The annual equivalent business days are a constant for all unbundled network elements. A BHAR based on 339 days should be substituted for all UNEs in which the BHAR is a rate input.

6. In Paragraph 455 of the *Order*, the Commission found that "Correcting Verizon's BHAR, therefore, arises only with respect to tandem switching costs, which are recovered through per minute charges." The Commission has thus implicitly found that the value of the BHAR is immaterial for end-office switching because those rates are now being been set through flat-rated port charges, not on a per minute basis. Nothing in the context of Paragraph 455, however, suggests that the Bureau meant to allow use of the 251-day BHAR in setting prices for any other UNEs whose rate is based on usage. The immediately preceding sentence of Paragraph 455 makes clear the limited context of the paragraph: "We find it unnecessary to correct Verizon's BHAR with regard to end-office switching costs because we agree with WorldCom and find that all end-office switching costs must be recovered through flat-rated port charges, rather than per minute charges." *Id*.

7. Verizon should consistently apply the ordered BHAR based on 339 annual equivalent business days throughout all its compliance cost studies. This correction

affects the following rate elements: Common Transport – Fixed; Common Transport – Per Mile; Reciprocal Compensation; Res/Bus Feature – Calling Number and Name Delivery; ISDN Feature – Calling Name and Number Delivery; 800 Database – Basic Per Query; 800 Database – Vertical Query; LIDB – Calling Card Per Query; LIDB – Billed Number Screening Per Query; Customized Routing Per Line Per Month; AIN Service Creation – Network Query; AIN Service Creation – CLEC Network Query; AIN Service Creation – CLEC Switch Query; AIN Service Creation – Utilization Element; AIN Service Creation – DTMF Network Per Change; and AIN Service Creation – Switch Based Announcement. Attachment 1 shows the effect of correcting the BHAR for each of these rate elements.

III. VERIZON'S METHODOLOGY FOR CALCULATING THE REMOTE CALL FORWARDING FEATURE GROSSLY OVERSTATES COSTS.

8. Verizon compliance runs also fail to change Verizon's methodology for calculating the Remote Call Forwarding feature consistently with the change in rate structure ordered by the Bureau. In its November 2001 filing, Verizon based its investment for the Remote Call Forwarding feature on the total port investment for the 5ESS switch weighted by the 5ESS switch mix. For all other features, Verizon based its investments on the output of the SCIS/IN reports.

9. In its compliance filing, Verizon continues to base its investment for the Remote Call Forwarding feature on the total port investment for the 5ESS switch weighted by the 5ESS switch mix. However, that compliance investment now includes the traffic-sensitive investment as well as the non-traffic-sensitive investment because of the Commission's adoption of a flat-rated switching rate structure for end-office

switching. The Remote Call Forwarding feature is not dependent on the traffic-sensitive investment now incorporated into the port.

10. Verizon should change its methodology to use the direct and shared investment for Remote Call Forwarding from the SCIS/IN reports, which excludes the added traffic-sensitive investment. Attachment 1 shows the magnitude of change to the Remote Call Forwarding Feature.

IV. VERIZON'S METHODOLOGY FOR WEIGHTING FEATURE INVESTMENT IS FLAWED.

11. Verizon's reliance on the SCIS/IN model to determine the level of feature investments to be added to port costs results in a significant overstatement of investment for certain features. This overstatement is the direct result of an erroneous weighting formula within the SCIS/IN model.

12. Basically, SCIS/IN – the module of the SCIS suite that computes feature investment – computes a weighted average feature investment as part of its standard output. For features that require SCIS/IN investment across all three switch technologies – Lucent, Nortel and Siemens – SCIS/IN weights that investment by the associated switch mix percentage and computes a weighted average feature investment. A problem within SCIS/IN occurs for those features that are available for only one or two of the three switch technologies. In these situations, SCIS/IN weights feature investment by that technology's relative portion of the switch technologies that can provide the feature.

13. Table 1 below provides an illustrative example that uses hypothetical values to demonstrate the weighting error within SCIS/IN.

Table 1
Illustrative Example of Feature Investment Weighting
Error Within SCIS/IN

	Feature Investment Required for All Three Technologies	Feature Investment Required for Only Two Technologies	Feature Investment Required for Only One Technology
Switch Mix:			
Type 1	50.0%	0.0%	0.0%
Type 2	40.0%	40.0%	0.0%
Type 3	10.0%	10.0%	10.0%
Total	100.0%	50.0%	10.0%
Feature Investment/Line:			
Type 1	$1.00	$0.00	$0.00
Type 2	$5.00	$5.00	$0.00
Type 3	$10.00	$10.00	$10.00
SCIS/IN Relative Weighting:			
Type 1	50.0%	0.0%	0.0%
Type 2	40.0%	80.0%	0.0%
Type 3	10.0%	20.0%	100.0%
Total	100.0%	100.0%	100.0%
Weighted Investment Based on Switch Mix:			
Type 1	$0.50	$0.00	$0.00
Type 2	$2.00	$2.00	$0.00
Type 3	$1.00	$1.00	$1.00
Total	$3.50	$3.00	$1.00
Weighted Investment Based on SCIS/IN Relative Weighting:			
Type 1	$0.50	$0.00	$0.00
Type 2	$2.00	$4.00	$0.00
Type 3	$1.00	$2.00	$10.00
Total	$3.50	$6.00	$10.00
Percent Overstatement:	0.0%	100.0%	900.0%

14. As Table 1 shows, when switch feature investment is required for only a subset of the switch technologies, rather than apply the actual switch mix percentage, SCIS/IN computes the relative switch percentage only for the types of technologies for

which the investment is required. In the example above and in the Verizon cost study, this reweighing of the switch mix by SCIS/IN produces an overstatement in switch feature investment.

15. Like the example in Table 1, the SCIS/IN model relied upon by Verizon computes switch feature related investments separately for the switch technologies produced by three different switch vendors in Virginia - Lucent, Nortel and Siemens. The feature investments are weighted by the percentage of lines served by each technology in the cost study.

16. A comparison of the investment calculation for two features demonstrates the error in Verizon's compliance run. Taking an example from Verizon's compliance run cost study for the Three Way Calling feature – a feature that requires investment in all three switch technologies – the SCIS/IN model properly calculates a weighted investment assuming **[BEGIN VERIZON PROPRIETARY]** **[END VERIZON PROPRIETARY]** of the lines are served by Lucent 5ESS switches, **[BEGIN VERIZON PROPRIETARY]** **[END VERIZON PROPRIETARY]** of the lines are served by Nortel DMS-100 switches and **[BEGIN VERIZON PROPRIETARY]** **[END VERIZON PROPRIETARY]** of the lines are served by Siemens EWSD switches. The direct investment costs for each switch type and the weighted average are provided below:

[BEGIN VERIZON PROPRIETARY]

[END VERIZON PROPRIETARY]

17. In contrast to the calculation performed for Three Way Calling, the SCIS/IN model used by Verizon fails to properly weight the average investment for the Call Waiting Display feature, resulting in an overstatement of the Call Waiting Display feature investment. The Call Waiting Display is only available on two switch technologies – the Lucent 5ESS and the Nortel DMS-100 switches. As demonstrated below, the SCIS/IN model used by Verizon fails to weight properly the average investment for this feature, resulting in an overstatement of Call Waiting Display feature investment.

[BEGIN VERIZON PROPRIETARY]

[END VERIZON PROPRIETARY]

18. This weighting error occurs because SCIS/IN weights feature investments by the switch mix percentages of those switches that are able to provide the feature. In other words, it weights the 5ESS investment by **[BEGIN VERIZON PROPRIETARY]**

[END VERIZON PROPRIETARY], which is the 5ESS switch mix percentage divided by the sum of the 5ESS and DMS-100 switch mix percentages, or **[BEGIN VERIZON PROPRIETARY]** **[END VERIZON PROPRIETARY]**. It weights the DMS-100 investment by **[BEGIN VERIZON PROPRIETARY]** **[END VERIZON PROPRIETARY],** which is the DMS-100 switch mix percentage divided by the sum of the 5ESS and DMS-100 switch mix percentages, or **[BEGIN VERIZON PROPRIETARY]** **[END VERIZON PROPRIETARY]**. Applying these erroneous weightings to the Call Waiting Display investments yields results that match the SCIS/IN weighted investment listed above.

[BEGIN VERIZON PROPRIETARY]

[END VERIZON PROPRIETARY]

19. This results in a 11.5 percent overstatement of the Call Waiting Display investment. The overstated investment from this weighting error is even more evident in features that are available on only one switch technology. In those instances, SCIS/IN does not weight the feature investment at all, but applies that investment to all lines – including those lines where the feature is unavailable.

20. Verizon should change its methodology and amend the flawed weighting within the SCIS/IN model for these features. This effects the following rate elements: Res/Bus Call Waiting Display Name and Number, Centrex Selective Call Acceptance, Centrex Meet-Me Conference, Centrex Station Message Detail Record, and Centrex Executive Busy Override. Each of these features is unavailable for one or two of the three switch technologies used by Verizon. Refer to Attachment 1 for the magnitude of change to these features.

V. CONCLUSION

21. For the foregoing reasons, Verizon should be required to correct and re-file its compliance filing cost studies with the changes identified in this declaration.

(ATTACHMENT 1 IS PROPRIETARY)

VERIFICATION PAGE

I declare under penalty of perjury that the foregoing Declaration is true and correct.

/s/ Michael R. Baranowski

Michael R. Baranowski

Executed on: November 18, 2003